

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
Auditor: Bill Hornstein

Audit Report # 352-17-01  
August 21, 2017

# Post-Payment Audit of the Bond Review Board



Glenn Hegar  
Texas Comptroller of Public Accounts

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Bond Review Board's (Board) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Sept. 1, 2015, through Aug. 31, 2016, to determine compliance with applicable state laws.

The Board receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Board's documents comply in the future. The Board must ensure that the findings discussed in this report are resolved.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

### Payroll transactions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes. A limited sample of voluntary contributions was also audited.

The audit identified:

- Missing prior state service verification.

### Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Major contract not reported to legislative budget board and incorrect appropriation year.
- Prompt payment and payment scheduling errors.

### Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

- No issues were identified.

### Security

The audit included a security review to identify any of the Board's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The review identified:

- One employee who retained the ability to expend funds after termination.

### Internal control structure

The Board's internal control structure was reviewed. The review was limited to obtaining an understanding of the Board's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- One employee could process and release payments through USAS.
- One employee could adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.
- One employee could process and release payrolls.
- One employee could pick up warrants from the Comptroller's Office and approve paper vouchers.

### Fixed assets

The audit included a limited number of fixed assets acquired by the Board during the audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location.

- No issues were identified.

## Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Board's payroll, purchase and travel transactions was concluded on Feb. 26, 2013.

During the current audit, the following recurring finding was identified:

- Control weakness over expenditure processing.

**Contact:**

Bill Hornstein  
512-475-0995

**Contributing Auditors:**

Mayra Castillo

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## DETAILED FINDINGS — PAYROLL

### Missing Prior State Service Verification

#### Finding

During our review of the Board's personnel files, we identified one file missing two prior state service verifications. The Board does not owe any additional longevity pay to the employee because the state service was entered into the system when the employee was hired.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation be made available during a post-payment audit, pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource](#) – Required Documentation.

The payroll schedule was provided to the Board and is not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The Board must continue to review its personnel files to ensure that all prior state service verifications are properly documented and maintained in the personnel files.

#### Board Response

*BRB agrees that prior state service verification was missing. New hire checklist has been updated to ensure future compliance for employees with prior state service. Current personnel files have been reviewed, organized, and updated.*

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## DETAILED FINDINGS — PURCHASE

### Major Contract Not Reported to Legislative Budget Board and Incorrect Appropriation Year

#### Finding

We identified one major DIR consulting contract that the Board did not report to the Legislative Budget Board (LBB). A state agency must provide written notice to the LBB of a contract for consulting services if the amount of the contract, including an amendment, modification, renewal or extension of the contract, exceeds \$14,000. See [Contracts](#) in eXpendit.

We also identified four purchase transactions related to the contract that were processed with an incorrect appropriation year (AY). The Board must charge services to the AY in which the service is performed. See [eXpendit Fiscal Matters – Appropriation Year Determination](#), which explains how the appropriation year is determined. Money can only be drawn from the State Treasury by a specific appropriation. In addition, a claim may not be paid from an appropriation unless the claim is presented to the Comptroller's office no later than two years after the end of the fiscal year for which the appropriation was made. Appropriations contained in the General Appropriations Act (GAA) usually have a term of one year, coinciding with the state fiscal year (Sept. 1 to Aug. 31). The Board was given funds in the GAA for a capital project. The capital project was not completed within the GAA biennium.

The Board stated this was an uncommon purchase for the agency and at the time of entering into the contract, the Board did not have proper training.

#### Recommendation/Requirement

The Board must enhance its process and review its policies to ensure adherence to the procedures stipulated in eXpendit regarding [Contracts](#). The Board should review the requirements for consulting services before entering into a contract. Training for Board staff should also be provided.

#### Board Response

*BRB agrees with the errors and has reviewed and updated its purchasing procedures. Employee had a lack of knowledge of purchasing policies and procedures. Employee has been informed of the proper policies and procedures. Employee is in the process of taking the necessary steps to become a Certified Texas Purchaser.*



## Prompt Payment and Payment Scheduling Errors

### Finding

According to the prompt payment law, Texas Government Code, Section 2251.021 (a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. Texas Government Code, Section 2251.026. During the audit period, the Board paid vendors no interest.

In our sample, we identified one purchase transaction was paid late because the Board entered the incorrect due date in USAS; however, no interest was paid. According to the Board, this occurred due to an oversight when processing the payment.

Texas Government Code, Section 2155.382(d), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office requires advance scheduling of payments when it is to the State Treasury's advantage.

We also identified three purchase transactions that the Board paid early, resulting in interest loss to the State Treasury. The Board stated this occurred due to oversight when scheduling the payments.

### Recommendation/Requirement

The Board must review its procedures to ensure it submits payment information for processing, as well as releasing the payment in a timely manner, to avoid incurring interest liabilities. In addition, the Board must verify that proper due dates are entered to ensure if interest is due, it is paid to vendors correctly.

To minimize the loss of earned interest to the State Treasury, the Board must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [Prompt Payment](#) and [Payment Scheduling](#) in eXpendit.

### Board Response

*BRB agrees with the errors and has reviewed and updated its purchasing procedures. Employee had a lack of knowledge of purchasing policies and procedures. Employee has been informed of the proper policies and procedures. Employee is in the process of taking the necessary steps to become a Certified Texas Purchaser.*



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## DETAILED FINDINGS — SECURITY

### Employee Retained Security to Expend Funds After Termination

#### Finding

The Board failed to submit a request to remove an employee's security from USAS and USPS on or before the effective date of the employee's termination date. The removal of the employee's security occurred 15 days after the employee's termination. Any payment submitted in USAS or USPS that was approved by the employee's expired authority would constitute an unapproved expenditure. We queried our payment system and found that no payments were processed by the employee after termination or authority expired. The Board stated that the delay in removing the employee's security occurred due to an oversight.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). Also, Section 5.61(k) does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

For an employee whose authority to approve an agency's expenditures is revoked for any reason, the employee's USAS and USPS security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

#### Recommendation/Requirement

The Board must ensure compliance with [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#). The Board must also ensure that the person responsible for sending notifications to the Comptroller's office is aware of the designated employee's termination on or before the date the termination becomes effective and follow up with the Comptroller's office to ensure the receipt of the notification and that the revocation occurred.

#### Board Response

*BRB agrees there was an error in its termination process. Employee termination checklist has been updated to include verification of terminated access to approvals and certification of certain payment, USAS and USPS documents.*

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## DETAILED FINDINGS — INTERNAL CONTROLS

### Control Weakness Over Expenditure Processing

#### Finding

We reviewed certain limitations that the Board places on its accounting staff's ability to process expenditures. As part of our planning process for the post-payment audit, we also reviewed the Board's security in USAS, USPS, TINS and voucher signature cards that was in effect on Jan. 27, 2017. We did not review or test any internal or compensating controls the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

During the audit period, the Board had one employee with multiple security capabilities. The employee had the ability to process and release payments through USAS, adjust payment instructions in TINS and approve vouchers, process and release payrolls, and pick up warrants from the Comptroller's Office and approve paper vouchers. The Board received a schedule of this finding during fieldwork.

We ran a report to determine if any of the Board's payment documents processed through USAS and USPS during the audit period because of the action of only one person. The report identified 114 documents totaling \$195,802.62, that processed without oversight. The payments were reviewed during the audit and determined to be valid expenditures.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems and approve paper vouchers without another employee's involvement.

#### Recommendation/Requirement

The Board should segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

The Board must limit access at the time security is set up (96A screen) by limiting user access to either enter/change voucher or release/approve batch. The Board should elect to have the document tracking control edit on the Agency Profile (D02) set to either prevent a user from releasing a batch that the same user entered or altered for the agency or warn the user when the same user attempts to release his or her own entries or changes, and have another individual review and process those transactions. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

The Board must work with the Comptroller's Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

The Board must ensure that employees with voucher/payment entry/change/delete status in the Board's internal system who also have release status in USAS are not able to also

approve/release payments in the internal system or in USAS. A supervisor or another employee should approve vouchers in the internal system.

The Board must limit the access of users who can enter/change vouchers or release/approve batches in USAS to view-only access in TINS (PTINS02). An individual should not be able to create a vendor or change a vendor profile, create a payment, and approve the payment. The Board could limit user access by removing the user from the Expedite Pick Up List or removing the ability to release/approve vouchers in USAS from the user.

### Board Response

*The BRB understands the security issues and concerns regarding staff's ability to process multiple functions. The Accountant and the CFO, with continual monitoring by the Executive Director, have the responsibility of processing all financial transactions for the agency. We are a very small agency and sometimes are limited on our ability to separate these duties. We have revised our procedures to help eliminate these control weaknesses. The various tasks involved with expenditure processing were segregated to the extent possible and will be continued to be closely monitored on a day-to-day basis.*

*This in-depth responsibility requires a higher level of approving and monitoring transactions. All payments are entered by the Accountant and approved/released by the CFO. Vouchers are reviewed and signed off by the Executive Director, CFO and Accountant. Next-day payment reports are verified for accuracy by the CFO and Accountant. For payroll, the Executive Director is the only releasing authority in the agency. The CFO makes all updates and changes to payroll.*